

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 1999

NOTE 15 – BONDS AND NOTES PAYABLE - DISCRETELY PRESENTED COMPONENT UNITS

A. Bonds and Notes Payable

Bonds Payable

All of the bonds payable of the discretely presented component units are legal obligations of the component units and they are not general obligations of the State. The

following table summarizes debt service requirements of the discretely presented component units (in millions):

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999-2000	\$ 286.7	\$ 284.1	\$ 570.7
2000-2001	207.5	282.0	489.5
2001-2002	257.4	272.7	530.1
2002-2003	226.2	260.3	486.6
2003-2004	213.9	250.8	464.7
Total five years	1,191.7	1,349.9	2,541.6
 2004-2037	 4,128.0	 2,636.8	 6,764.8
		<u>\$ 3,986.8</u>	<u>\$ 9,306.4</u>
Less:			
Unamortized discount	(.2)		
Total principal	<u>\$ 5,319.5</u>		

Included in the table above is \$224.2 million of demand bonds comprised of the Michigan Higher Education Student Loan Authority, \$96.4 million, and the Michigan State Housing Development Authority, \$127.8 million. Defeased bonds outstanding of the Mackinac Island State Park Commission, Michigan State Housing Development Authority, Michigan Municipal Bond Authority (MMBA), and eight of the State universities are not reflected in the table above.

Subsequent to September 30, 1999, MMBA issued local government loan program revenue bonds totaling \$8.3 million, and MSHDA issued single family mortgage revenue bonds totaling \$60.9 million. Disclosures regarding these bonds and transactions are available in the separately issued reports of the various organizations.

Notes Payable

MMBA has short-term notes outstanding of \$372.0 million as of September 30, 1999.

B. Unrecorded Limited Obligation Debt

Certain State financing authorities have issued limited obligation revenue bonds which are not recorded as liabilities in these statements because the borrowings are, in substance, debts of other entities. The State has no obligation for this debt. Typically, these borrowings are repayable only from the repayment of loans, unloaned proceeds and related interest earnings, and any collateral which may be provided.

The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligation bonds to finance loans to private nonprofit institutions of higher education for capital improvements. As of September 30, the MHEFA had bonds outstanding of \$255.5 million. Of the above amount, \$35.1 million of bonds have been defeased in substance, leaving a remaining undefeased balance of \$220.4 million.

The Michigan Strategic Fund (MSF) issues industrial development revenue bonds (\$4.7 billion for the period January 1, 1979 through September 30, 1999) which are not recorded as liabilities. Total taxable bonds issued by MSF for the period October 1, 1997 through September 30, 1999 was \$19.3 million, which are not recorded as liabilities. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

The Michigan State Hospital Finance Authority (MSHFA) has issued \$4.4 billion of no commitment bonds as of September 30, 1999. Of the above amount, \$813.0 million have been defeased in substance. Economic gains and accounting gains and losses upon in substance defeasance inure to the benefit of the facility for which the bonds were issued and accordingly are not reflected in the Authority's financial statements. Subsequent to September 30, 1999, the Authority issued similar limited obligation bonds totaling \$950.0 million.

The Michigan State Housing Development Authority (MSHDA) has been authorized to issue up to \$800.0 million of limited obligation bonds to finance multi-family housing projects. At June 30, limited obligation bonds had been issued totaling \$338.6 million, of which eight issues totaling \$70.2 million had been retired.